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REPORT OF THE COMMISSION ON ITS TWENTY-SIXTH SESSION

Draft report

Addendum

Rapporteur: J. A. MWANIKI (Kenya)

Chapter ___. NATIONAL ACCOUNTS AND BALANCES

System of National Accounts (SNA)

1. The Commission considered item 4 (a) of its agenda at its 440th and 441st meetings, on 6 February 1991. It had before it the report of the Secretary-General on the progress report on the revision of the System of National Accounts (SNA) (E/CN.3/1991/5), the report of the Working Party of the Conference of European Statisticians on the System of National Accounts (E/CN.3/1991/6), the report of the Economic Commission for Africa Meeting on the System of National Accounts (E/CN.3/1991/7), the report of the Economic and Social Commission for Asia and the Pacific Meeting on the System of National Accounts (E/CN.3/1991/8), the report of the Economic Commission for Latin America and the Caribbean Meeting on the System of National Accounts (E/CN.3/1991/9), the report of the Economic and Social Commission for Western Asia Meeting on the System of National Accounts (E/CN.3/1991/10), the report of the Expert Group Meeting on the Reconciliation of SNA/MPS Standards on National Accounting and related activities (E/CN.3/1991/11), the report of the Secretary-General on progress made in the development of environmental statistics and future plans (E/CN.3/1991/23), the report of the Secretary-General on updated information on the work of the Statistical Office of the United Nations Secretariat, section II (E/CN.3/1991/30), and the draft of the revised System of National Accounts: chapters and annexes (ST/ESA/STAT/SER.F/2/Rev.4).

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2. The Commission expressed satisfaction with the results of the SNA review work. It recognized that those results had only been possible owing to the co-ordinated efforts of the international organizations participating in the Inter-Secretariat Working Group on National Accounts and assistance by national statistical offices in the form of voluntary contributions provided by their staffs as experts of SNA co-ordinating and other expert groups. It also expressed particular thanks to Messrs. P. Hill and A. Vanoli who prepared draft chapters of the revised SNA on the basis of recommendations made by expert groups, and to Ms. C. Carson for her management support to the Inter-Secretariat Working Group.

3. It noted that the results so far responded to the mandate originally given by the Statistical Commission to the Inter-Secretariat Working Group on National Accounts. Nevertheless, many members of the Commission expressed concern about the change of the target date of completion of the revised SNA from 1991 to 1993, and the Commission emphasized that any further delay would adversely affect the credibility of the SNA review process. Therefore, it stressed strict adherence to the timetable corresponding to the 1993 target date.

4. In responding to those concerns, the Secretariat pointed out that the decision taken in 1989 by the Inter-Secretariat Working Group was partly due to the fact that particularly new developments required that essential elements of the System needed further review. For instance, the application of the System to countries in transition required further refinement of certain concepts, and the development of environmental accounting as satellite accounts also necessitated further review of the balance sheets and capital stock principles of the System. Representatives of international organizations participating in the Inter-Secretariat Working Group reaffirmed their commitment to completion of the revision process by the 1993 deadline.

5. Following the expressions of concern, various actions were recommended to avoid any further delay in completing the SNA review process and to have the final draft of the revised System available for the next session of the Statistical Commission. That would have to be done within a very tight timetable. Priorities would have to be clearly defined. Some members suggested that the revision process should be more focused on the revision of SNA, leaving out for the time being work on any parallel activities such as handbooks that were not strictly necessary for completion of the work. Other members noted that all attention should be directed towards the completion of a draft and that that work should not be interrupted for further studies of issues that had not been resolved. The Commission agreed that the SNA revision should be given the highest priority in the programme of work of the Statistical Office and that, accordingly, all the resources needed to complete the programme in 1993 would have to be mobilized. The Commission was also of the opinion that if the various views on issues were very far apart, it would be premature to arrive at the current time at an agreed-upon definition and treatment. More generally, the Commission reaffirmed the decision it took at its twenty-fifth session - namely, that if no consensus could be reached among participating experts, the Co-ordinating Expert Group should retain the definitions and treatments of the 1968 SNA, if feasible. If no guidance was found in the 1968 SNA, a recommendation with a flexible interpretation might be accepted, leaving the actual application to countries concerned or to a further elaboration in

handbooks. Mr. Hill's year of consultancy should be devoted to the greatest extent possible to the work of drafting, minimizing distractions and meetings. Several members of the Commission suggested that in order promptly to conclude the remaining part of the SNA review process, a mandate should be given to a referee. There was widespread agreement that Ms. C. Carson would be a suitable person for such a function. After some discussion, it was agreed that the Commission would mandate the Inter-Secretariat Working Group to take decisions on issues on which expert groups could not reach a consensus and that the Working Group might delegate that function to Ms. Carol Carson.

6. There was general appreciation for the work that had been accomplished so far, as reflected in the draft chapters before the Commission, and it was recognized that the regional commissions had played a very constructive role in the process. A number of members of the Commission commented on specific aspects of the draft revised SNA. There was general support for the integrated feature of the new System, bringing together analysis of production with analysis of income distribution and financial analysis. One member noted that the emphasis on institutional sectors should not imply that the establishment become a secondary unit of analysis. One member questioned the appropriateness of the suggested distinction between market and non-market and the corresponding valuation principles, because the discussion of the matter was thought to raise unnecessarily complex issues, which were of marginal importance in practice. Other members welcomed the decision to include in capital formation mineral exploration expenses while others regretted that research and development expenditures were not included in capital formation. There were also critical comments on the elimination of non-profit institutions serving households as a separate sector and the inclusion of a separate production account for households. One member commented favourably on the concept of entrepreneurial income introduced into the System. Another member thought that natural growth should not be treated as output, as was recommended in the revised System. It was also suggested that imputed bank service charges should be treated in the same way as in the 1968 SNA and should not be distributed to users, as was recommended in the revised System.

7. Some members thought that more emphasis should be placed on the needs and realities of developing countries. More attention should be given, in particular to the separate identification of informal activities, which were very important in developing countries. One member thought that the main aggregates of the System did not reflect well-being in those countries and could not be easily used for monitoring medium- and long-term strategies for structural development.

8. Many members from developing regions emphasized the need for handbooks, which would be practical and would help national accountants in those regions to implement the System. Also, it was noted that existing handbooks, such as the one on production accounts, would have to be revised after adoption of the revised SNA in 1993. In particular, the need for handbooks on national accounting in constant prices and inflation accounting and on the application of SNA in transition economies was mentioned. Those handbooks were given highest priority by the Statistical Commission. The Commission welcomed the development of a handbook on environmental accounting, being produced with extrabudgetary support, and some members wished to include that handbook on the list of handbooks with the highest

priority. The representative of FAO offered help for the implementation of SNA in the areas of agriculture, fishery and forestry, and announced that a handbook on agriculture was in preparation and would be submitted to SNA experts for comments. Supplementing the handbooks for implementation of the SNA, the Statistical Office of the United Nations Secretariat was requested to develop further software packages that could be used to facilitate the implementation of SNA with the help of microcomputers.

9. Several participants emphasized the need to revise SNA periodically, in periods shorter than the 25 years that had elapsed since the previous revision. A mechanism should be found to incorporate updates on a continuous basis.

10. The Commission stressed that implementation of the System would be one of the priority activities before the 1993 target date and the sole objective immediately following. The need for holding workshops, developing microcomputer software, and training of national accountants was emphasized. Furthermore, a need was expressed to deal with the question of continuity of time-series after the implementation of SNA and the development of a unified methodology for imputations of non-monetary transactions. In order to develop a systematic strategy for such implementation, several participants urged that the Statistical Office of the United Nations Secretariat prepare a document with proposals for the next session of the Commission.

Action taken by the Commission

11. The Commission:

(a) Expressed satisfaction with the SNA review and noted that the results so far responded to the mandate originally given by the Statistical Commission to the Inter-Secretariat Working Group on National Accounts. It expressed particular thanks to Messrs. P. Hill and A. Vanoli, who prepared draft chapters of the revised SNA on the basis of recommendations made by expert groups, and to Ms. C. Carson for her management support to the Inter-Secretariat Working Group;

(b) Unanimously insisted that the 1993 target date for completion of the work be strictly kept and made recommendations to improve the mechanisms through which the Inter-Secretariat Working Group would implement that objective;

(c) Decided that the Statistical Commission should mandate the Inter-Secretariat Working Group to take decisions on issues on which expert groups could not reach a consensus and that the Inter-Secretariat Group might delegate that function to Ms. Carol Carson. The Chairman of the Commission might be called upon to help deal with problems that arose in carrying out that mandate;

(d) Recommended that meetings be limited to those absolutely necessary and that final agreements be reached between the members of the Co-ordinating Expert Group through the use of electronic and other methods of networking;

(e) Emphasized that drafting the text of the revised SNA should have the highest priority and should not be delayed for further studies of conceptual issues;

(f) Gave high priority to the development of the revised SNA and a minimum of two handbooks - on SNA for transition economies and on national accounting in constant prices and inflation accounting. The handbooks should be easily understandable;

(g) Recommended that a multilingual glossary of national accounts terms be developed to facilitate use of the System in different languages and environments and that such a glossary should be based on past efforts by ECE (Russian) and ECLAC (Spanish);

(h) Expressed its appreciation to the various organizations and countries that had given additional support to the SNA review process, either in cash or in kind, and requested that the Inter-Secretariat Working Group on National Accounts and the Statistical Office of the United Nations Secretariat try to mobilize additional resources to complete the revision and support optimal implementation of SNA;

(i) Requested that the Statistical Office of the United Nations Secretariat prepare for the Statistical Commission at its twenty-seventh session a report on a strategy to implement SNA after the adoption of the System in 1993, dealing with not only national accounts but also regional accounts, and covering all instruments available for such implementation, including handbooks, software for SNA compilation, workshops, training, technical co-operation programmes etc.;

(j) Requested that the Statistical Office of the United Nations Secretariat prepare a full statement of the resources, cash and in kind, used in the revision process of SNA;

(k) Requested the United Nations Secretariat to give priority to translation and reproduction of the revised draft SNA so that it would be available for consideration and adoption by the Commission at its twenty-seventh session.